

**INGWE MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**

**30 June 2005**

## **INGWE MUNICIPALITY**

### **ANNUAL FINANCIAL STATEMENTS - 30 June 2005**

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## **GENERAL INFORMATION**

### **Members of the executive committee**

Mayor	: I M Miya
Deputy Mayor	: D R Ngcamu
Speaker	: S R K Mlotshwa
Other	: T A Shezi
	: M A Zondi

### **Other councillors**

J J Khawula, B P Malunga, M A Malunga, B C Mncwabe, M T Mnguni, M W Mtolo, N A Mtolo, B E Mveli, H A Ngcobo, S A Ngubo, B L Nzimande, H Nzimande, M C Nzimande, D J Shelembe and E R S Sikhakhane.

D A L Smith resigned and N R Shezi died during the year.

M T Mnguni, M C Nzimande and E R S Sikhakhane were elected or appointed during the year.

### **Grading of local authority**

Grade 2 (In terms of the Remuneration of Public Office Bearers Act)

### **Auditor**

Auditor-General

### **Banker**

First National Bank  
A division of FirstRand Bank Limited

### **Registered office**

Main Street	P O Box 62	Telephone: (039) 833-1038
Creighton	Creighton	Facsimile: (039) 833-1179
3263	3263	E-mail: <a href="mailto:ingwe@futurenet.co.za">ingwe@futurenet.co.za</a>

### **Municipal manager**

B A Ngcobo

### **Treasurer**

F F McAllister

### **Approval of financial statements**

The financial statements set out on pages 3 to 25 were approved by the municipal manager, mayor and executive committee on 14 February 2006.

**B A Ngcobo**  
**Municipal Manager**  
**Accounting Officer**

**I M MIYA**  
**Mayor**

## **FOREWORD**

The Ingwe Municipality is situated in southern KwaZulu-Natal and comprises the villages of Bulwer, Creighton and Donnybrook together with the rural areas surrounding the villages. The municipality has an area of approximately 1 970 square kilometres and an estimated population of 180 000. Creighton is the administrative centre of the municipality.

The financial statements indicate once again that the municipality remains in a sound financial position. Statutory funds, reserves and retained income amounted to R16,1 million at the year end in comparison with R13,3 million at the previous year end. These funds were represented by investments of R14,2 million and other net assets of R1,9 million. Investments at the previous year end amounted to R12,5 million and other net assets to R0,8 million.

The municipality's operating results for the year were satisfactory in comparison with the budget. As a result of significantly higher than budgeted income from rates, service charges and other sources together with savings in budgeted expenditure, the portion of the equitable share grant utilised to balance the operating budget was substantially reduced. As a consequence, the council's ability to fund infrastructural development from this grant has therefore been somewhat enhanced. Further details concerning the operating results are contained in the Treasurer's report.

The implementation of the municipality's integrated development plan continued during the year. This document, which is reviewed on an annual basis, remains the principal guide to the future development of the municipality and ensures that such development is carried out in a planned, orderly and efficient manner.

Significant capital expenditure incurred during the year in terms of the integrated development plan was for the erection of community halls at Bulwer and Nkelebantwana, the construction of a taxi rank at Bulwer and the construction of roads at Qulashe, KwaSokhela, KwaSandanezwe, St Charles, Ndulwini and KwaShoba. In addition, the vehicle fleet was augmented by the acquisition of two pick-ups for general use and a motor car for use by the traffic department that is in the process of being established.

Capital expenditure has also been incurred on the municipality's rail tourism project with the acquisition and refurbishment of a steam locomotive and several coaches. In addition, portion of the municipality's funds from its Vuna Award prizes have been expended on upgrading local school facilities, the most notable of which was the relocation of Maliyavuza School from private to municipal property.

Further expenditure on the Amakhuze biodiversity project, to which I referred in my foreword last year, amounted to R630 000. This project has seen the restoration of historical buildings at Centocow mission for the purposes of housing the Gerard Bhengu Art Studio and Weaving Centre, named for a well-known artist who was raised on the mission, and to create employment for local women.

I express my sincere thanks to the current and previous municipal managers and their staff and to my fellow councillors for their hard work and dedication during the year and for the pleasant atmosphere in which I have been able to perform my duties.

**I M MIYA**  
**Mayor**

**TREASURER'S REPORT**  
**for the year ended 30 June 2005**

**1 Operating results**

The operating results for the year are as follows:

	Actual R	Budget R
Operating surplus - Rates and general service	371 166	58 526

Operating income other than the equitable share grant amounted to R2,0 million for the year compared with budgeted income of R1,6 million. The positive variance of R400 000 is attributable mainly to excesses over budget in respect of:

- Charge to district municipality for administration of sewerage and water services
- Interest as a result of higher than anticipated investment of surplus cash funds.

The foregoing excesses were off-set by a shortfall in rates income over budget as a result of incorrect budgeting.

Operating expenditure for the year amounted to R8,1 million and was R750 000 less than budget. Savings on budget were achieved in respect of salaries and wages as a result of a delay in the employment of certain new staff and the appointment of other new staff later than expected in the year. Other savings arose in respect of legal expenses, printing and stationery, promotions and publicity, provision for doubtful debts and repairs and maintenance of ward fencing.

The main items of expenditure over budget were as follows:

- Audit fee as a result of an underprovision in the previous year;
- Consultant's fees not provided in the budget;
- Fuel and oil as a result of the acquisition of additional motor vehicles and inadequate budgeting;
- The municipal relief fund and telephones because of inadequate budgeting;
- Repairs and maintenance largely because of major repairs to motor vehicles;

As a result of the excess of income over budget and the savings of expenditure against budget, the portion of the equitable share grant originally estimated to balance the budget was reduced from R7,3 million to R6,4 million. The saving of R0,9 million will thus be available for further development in the municipality in the forthcoming year.

**TREASURER'S REPORT**  
**for the year ended 30 June 2005**

## 2 Retained income

Retained income increased from R319 375 at the beginning of the financial year to R690 541 at 30 June 2005 as a result of the operating surplus of R371 166 for the year. This is summarised as follows:

	R
Retained income at 1 July 2004	319 375
Operating surplus for the year	371 166
	<hr/>
Retained income at 30 June 2005	690 541
	<hr/> <hr/>

## 3 Cash position of the funds

### a) Capital development fund

	R
Cash invested in the fund at 1 July 2004	817 776
Cash movements during the year	
Proceeds of disposal of fixed assets	29 874
Annual contribution from operating account	245 500
Interest received on external investments	47 845
Interest received on internal advances	9 000
Repayment received on internal advances	16 142
50% of interest transferred to operating account	( 28 422)
	<hr/>
Cash available in the fund at 30 June 2005	1 137 715
	<hr/> <hr/>

### b) Public improvement fund

	R
Cash invested in the fund at 1 July 2004	403 543
Cash movements during the year	
Proceeds of land sales	71 666
Interest received on external investments	23 610
Interest received on internal advances	10 903
Repayment received on internal advances	8 191
50% of interest transferred to operating account	( 17 257)
Land development costs	( 17 647)
	<hr/>
Cash available in the fund at 30 June 2005	483 009
	<hr/> <hr/>

The total cash available in these two funds amounted to R1 620 724 at 30 June 2005. This cash may be used to finance future capital expenditure by way of internal advances or invested externally to earn interest.

## TREASURER'S REPORT for the year ended 30 June 2005

## 4 Overall cash position

Cash, including investments, increased from R13 622 108 at the beginning of the year to R14 292 520 at 30 June 2005 as follows:

	2005 R	2004 R
Capital development fund	1 137 715	817 776
Public improvement fund	483 009	403 543
Rates and general service capital account surplus	4 559	4 559
Operating account, including unexpended grants	12 667 237	12 396 230
	<u>14 292 520</u>	<u>13 622 108</u>

Unexpended grants, which have been included in reserves in the financial statements, are the main reason for the strong cash position. The bulk of these grants have been earmarked for projects that have already commenced or which will commence during the forthcoming financial year.

The overall financial position of the municipality remains sound. A prudent approach has been adopted with regard to the carrying value of debtors in that an accumulated amount of R917 000 has been provided in the event that debtors may prove irrecoverable.

## 5 Capital expenditure

Details of capital expenditure amounting to R5 185 389 during the year are as follows:

	Actual R	Budget R
Municipal capital building	2 156	-
Ncwadi taxi rank	12 969	-
Zidweni community hall	26 670	-
Njobokazi community hall	26 458	-
Improvements to existing municipal buildings	545	-
Nkelebantwana community hall	530 246	375,000
Bhidla community hall	13 100	-
Bulwer community hall	462 889	750,000
Bulwer taxi rank	235 056	-
Sonyongwana community hall	26 458	-
Nqulela community hall	6 117	-
Roads	3 229 752	1,550,000
Fencing	41 320	-
Plant, machinery and equipment	36 246	40,000
Motor vehicles	453 559	430,000
Computer equipment	46 983	40,000
Office furniture and equipment	16 867	20,000
Land development	17 998	-
	<u>5 185 389</u>	<u>3 205 000</u>

**TREASURER'S REPORT**  
**for the year ended 30 June 2005**

**5 Capital expenditure (continued)**

The capital expenditure was financed as follows:

	R
Contributions from current income	100 408
Equitable share grant	4 571 466
Zashuke/Bhidla community gardens grant	3 070
Bulwer craft centre grant	462 889
Printer grant	7 134
GIS grant	22 424
Public improvement fund cash	17 998
	<hr/>
	5 185 389
	<hr/>

**F F McALLISTER**  
**Treasurer**



## **ACCOUNTING POLICIES**

### **1 Basis of presentation**

- 1.1 The financial statements are prepared in conformity with the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second Edition, 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully set out in accounting policy note 4.
- 1.3 The financial statements are prepared on the accrual basis:  
  
Income is accrued when measurable and collectible. Certain indirect income such as traffic fines is only accounted for when received.  
  
Known expenditure to date of preparation of the financial statements is accrued in the year in which it is incurred.
- 1.4 The accounting policies are consistent with those of the previous year except where otherwise indicated.

### **2 Consolidation**

The balance sheet includes the rates and general service and the different funds, reserves and provisions.

### **3 Funds**

- 3.1 Capital development fund  
  
The ordinance requires a minimum contribution of 3% of the defined income of the local authority to this fund. The fund is used to finance capital expenditure and surplus funds are invested.
- 3.2 Public improvement fund  
  
The fund is used to finance capital expenditure and surplus funds are invested.

### **4 Fixed assets**

- 4.1 Fixed assets are stated at historical cost or, in the case of assets acquired by grant or donation, at valuation based on the market price of the asset at date of acquisition. Assets no longer in existence or fit for use are written off.
- 4.2 Fixed assets are not depreciated. The value of loans redeemed and other capital receipts is equivalent to depreciation and is off-set against the cost of fixed assets.
- 4.3 Net proceeds from the sale of vacant immovable property are credited to the public improvement fund. Net proceeds from the sale of other fixed assets are credited to the capital development fund.
- 4.4 The acquisition of fixed assets is financed from different sources including operating income, endowments, external loans and internal advances. Interest is charged on the loans and advances at the rates ruling at the dates of acquisition of the assets. The loans and advances are repaid over the estimated useful lives of the assets concerned.

## **ACCOUNTING POLICIES**

### **5 Investments**

Investments are stated at cost and comprise securities prescribed by section 125 of the Local Authorities Ordinance, 1974. The investments are considered risk-free.

### **6 Provisions**

#### **6.1 Audit fee**

Provision is made for the estimated cost of the audit of the current financial statements.

#### **6.2 Leave encashments**

Provision is made for the value of leave due to members of staff at year end.

#### **6.3 Property revaluation**

Provision is made for the estimated cost of revaluing municipal property every five years.

#### **6.4 Workmen's compensation assurance**

Provision is made for the estimated cost of workmen's compensation assurance cover for the period from last assessment to the year end.

#### **6.5 Doubtful debts**

Provision is made for debts the recovery of which appears doubtful at year end.

### **7 Income recognition**

7.1 Assessment rates are levied on land only and are raised annually. State owned land is subject to a 20% rebate. Land zoned agricultural and used exclusively for agricultural purposes is subject to a 50% rebate.

7.2 Charges for refuse removal and other services are raised monthly.

7.3 Investment income is accounted for monthly.

### **8 Administration and other overhead expenses**

The estimated costs of internal support services are transferred to the various departments.

### **9 Retirement benefits**

Certain employees contribute to the KwaZulu-Natal Joint Municipal Pension Fund, a defined benefit fund, or the KwaZulu-Natal Joint Municipal Provident Fund, a defined contribution fund. The funds are considered sound.

### **10 Cash flow statement**

For the purposes of the cash flow statement, cash and cash equivalents comprise investments, bank balances and cash.

# INGWE MUNICIPALITY

## BALANCE SHEET - 30 June 2005

	Note	2005 R	2004 R
<b>CAPITAL EMPLOYED</b>			
Statutory funds	1	2 158 972	1 770 868
Reserves	2	13 231 399	11 193 558
Retained income	12	690 541	319 375
		<u>16 080 912</u>	<u>13 283 801</u>
<b>EMPLOYMENT OF CAPITAL</b>			
Fixed assets	3	534 486	545 438
Current assets			
Investments	4	14 240 599	12 493 428
Debtors	5	3 824 954	1 866 096
Bank balances and cash		51 921	1 128 680
		<u>18 117 474</u>	<u>15 488 204</u>
Less:			
Current liabilities			
Creditors	6	1 163 639	2 075 092
Provisions	7	1 407 409	674 749
		<u>2 571 048</u>	<u>2 749 841</u>
Net current assets		<u>15 546 426</u>	<u>12 738 363</u>
		<u>16 080 912</u>	<u>13 283 801</u>

**INGWE MUNICIPALITY**

**OPERATING ACCOUNT: INCOME STATEMENT**  
for the year ended 30 June 2005

2004 Actual income R	2004 Actual expenditure R	2004 Surplus (deficit) R		2005 Actual income R	2005 Actual expenditure R	2005 Surplus (deficit) R	2005 Budgeted surplus (deficit) R
<b>Rates and general service</b>							
6 109 445	5 642 625	466 820	Community services	8 298 898	7 798 532	500 366	177 040
174 358	294 390	( 120 032)	Subsidised service	185 892	315 092	( 129 200)	( 118 514)
<u>6 283 803</u>	<u>5 937 015</u>	<u>346 788</u>	<b>Totals for the year</b>	<u>8 484 790</u>	<u>8 113 624</u>	<u>371 166</u>	<u>58 526</u>
		-	Appropriations for the year			-	
	<u>346 788</u>		Net surplus for the year			<u>371 166</u>	
			Retained income				
		313 812	At beginning of the year			319 375	
		341,225	Less: Transferred to district municipality			-	
		<u>( 27 413)</u>				<u>319 375</u>	
		<u>319 375</u>	Retained income at end of the year			<u>690 541</u>	

Notes: The subsidised service comprises the refuse service  
Refer to Appendices D and E for more detail

# INGWE MUNICIPALITY

## CASH FLOW STATEMENT for the year ended 30 June 2005

	Note	2005 R	2004 R
<b>Cash flow resulting from operating activities</b>			
Operating surplus for the year		371 166	346 788
Adjustment for non-operating and other items	13		
Non-operating expenditure charged against provisions and reserves		( 12 121 956)	( 9 223 135)
Appropriations charged against operating income		1 205 266	659 916
Capital charges against operating income		37 441	57 602
Interest on investments credited to operating income		( 726 349)	( 702 848)
State subsidies credited to operating income		( 6 430 000)	( 4 650 000)
		( 18 035 598)	( 13 858 465)
Cash utilised by operations		( 17 664 432)	( 13 511 677)
Investment income		797 831	780 547
(Decrease) Increase in working capital	14	( 2 870 820)	452 881
Cash utilised by operating activities		( 19 737 421)	( 12 278 249)
External interest paid		( 3 155)	( 18 648)
		( 19 740 576)	( 12 296 897)
<b>Cash flow resulting from investing activities</b>			
Investment in fixed assets		( 5 185 389)	( 4 994 407)
Proceeds of disposal of fixed assets		101 540	151,296
		( 5 083 849)	( 4 843 111)
<b>Cash flow resulting from financing activities</b>			
Cash contributions from the public and state		25 494 837	21 016 225
Repayment of long term liabilities		-	-
Receipt of consumer security deposits		-	-
		25 494 837	21 016 225
<b>Net increase in cash and cash equivalents</b>		<b>670 412</b>	<b>3 876 217</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>13 622 108</b>	<b>9 745 891</b>
<b>Cash and cash equivalents at end of year</b>	15	<b>14 292 520</b>	<b>13 622 108</b>

# INGWE MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

### 1 Statutory funds

	2005 R	2004 R
Capital development fund	1 211 570	907 773
Public improvement fund	947 402	863 095
	<u>2 158 972</u>	<u>1 770 868</u>

Refer to Appendix A for more detail.

### 2 Reserves

	2005 R	2004 R
Equitable share grant	4 685 315	5 418 823
Land development grant	1 010	1 010
Establishment grant	110 440	110 440
Local economic development grant	2 720	2 720
Amakhuze biodiversity project grant	604 133	1,083,076
Free basic water grant	677 785	677 785
Financial management grant	250 000	-
State housing subsidy - Bulwer project	515 129	-
State housing subsidy - Creighton project	7 705	7 705
State housing subsidy - Donnybrook project	20 531	38,733
State housing subsidy - Ngcobo's farm	1 444 394	-
State housing subsidy - Tar's Valley project	335 145	1,367,052
CMIP grant - Bulwer housing project	95 979	27 020
CMIP grant - Donnybrook water system	194 941	180 736
CMIP grant - Ngcobo's farm infrastructure	169 367	56,998
CMIP grant - Nkwezela landfill site	189 938	189 938
CMIP grant - Tar's Valley infrastructure	124 308	54,007
Indigent support grant	670 493	660 399
Rating of property grant	170 000	170,000
Management assistance programme grant	245 897	226 869
IDP review grant	120 669	135,092
Infrastructure grant	7 385	10,455
PIMS Skills development grant	233 440	250,000
Bulwer craft centre grant	805 120	187,500
Land use management system grant	60,803	-
GAMAP grant	45,000	-
GIS grant	327 576	200,000
Web page grant	60 000	-

Anti-corruption grant	134 500	-
Public awareness campaign grant	-	50,000
Printer grant	66	7,200
DBSA tourism grant	4 654	-
KZN tourism grant	6 382	-
Disaster relief fund	129 000	80,000
Vuna awards	781 574	-
	<u>13 231 399</u>	<u>11 193 558</u>

Refer to Appendix A for more detail.

### 3 Fixed assets

	2005 R	2004 R
Fixed assets at beginning of the year	13 914 199	12 982 961
Capital expenditure during the year	5 185 389	4 994 407
	<u>19 099 588</u>	<u>17 977 368</u>
Less: Disposals during the year	73 691	4,063,169
Gross carrying value	<u>19 025 897</u>	<u>13 914 199</u>
Less: Loans redeemed and other capital receipts	18 491 411	13 368 761
Net carrying value	<u>534 486</u>	<u>545 438</u>

Refer to Appendix C for more detail.

### 4 Investments

	2005 R	2004 R
Deposits with First National Bank:		
32-Day notice deposits	829 611	784 334
Money market deposits	13 410 988	11 709 094
	<u>14 240 599</u>	<u>12 493 428</u>
Average rate of return on investments	5,8%	6,8%

Circulars issued by the provincial administration require municipalities to invest funds which are not immediately required with prescribed deposit-taking institutions and that the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate to meet commitments.

### 5 Debtors

2005	2004
------	------

	R	R
Property owners: rates	858 117	1 270 125
Service charges	116 582	103 732
SA Revenue Service: VAT	3 601 711	1 376 603
Sundry debtors	105 947	39,840
Sisonke District Municipality	31,398	-
Security deposits with suppliers	28 199	27 399
Staff and councillors: short-term loans	-	59 397
	<hr/>	<hr/>
Gross carrying value	4 741 954	2 877 096
Less: Provision for doubtful debts	917 000	1 011 000
	<hr/>	<hr/>
Net carrying value	<u>3 824 954</u>	<u>1 866 096</u>

## 6 Creditors

	2005 R	2004 R
Trade creditors	1 090 310	1 567 739
Prepaid rates and service charges	57 761	76 810
Sundry creditors	14 311	26,705
Payroll deductions awaiting payover	1 257	457
Creighton Agricultural Society	-	378,023
Sisonke District Municipality	-	25,358
	<hr/>	<hr/>
	<u>1 163 639</u>	<u>2 075 092</u>

## 7 Provisions

	2005 R	2004 R
Audit fee	251 375	68 500
Five-yearly property revaluation	1 000 000	500,000
Staff leave encashments	147 197	99 480
Workmen's compensation assurance	8 837	6,769
	<hr/>	<hr/>
	<u>1 407 409</u>	<u>674 749</u>

Refer to appendix A for more detail

## 8 Assessment rates

	Site valuations on 1 July 2004 R	Site valuations on 1 July 2003 R	2005 R	2004 R
Land only	4 537 500	4 543 300	<u>612 782</u>	<u>554 841</u>



Revaluations of fixed property are performed once every five years.  
The last general revaluation came into effect on 1 July 2001. To  
save costs only land was valued.  
The rates randage was 13,92 cents in the rand on land  
( 2004 : 12,95 cents).

## 9 Councillors' remuneration

	2005 R	2004 R
Basic remuneration	769 462	749 113
Housing allowances	93 682	100,159
Travel allowances	221 633	251 591
Private space allowances	50 521	49 719
Cellphone allowances	158 712	214 200
	<u>1 294 010</u>	<u>1 364 782</u>

## 10 Auditor's remuneration

	2005 R	2004 R
Audit fee - Current year	180 000	68 500
- Underprovision in previous year	112 981	19,554
	<u>292 981</u>	<u>88 054</u>

## 11 Finance transactions

	2005 R	2004 R
Total external interest earned	<u>690 621</u>	<u>670 238</u>
Total external interest paid	<u>3 155</u>	<u>18 648</u>
Capital charges debited to operating account:		
Interest - external	3 155	18 648
- internal	19 903	23 140
Redemption - internal	24 333	27 383
	<u>47 391</u>	<u>69 171</u>

## 12 Appropriations

	2005 R	2004 R
<b>Appropriation account</b>		
Retained income at beginning of the year	319 375	313 812
Less: Transferred to district municipality	-	341,225
	<hr/>	<hr/>
	319 375	( 27 413)
Operating surplus for the year	371 166	346 788
	<hr/>	<hr/>
Retained income at end of the year	690 541	319 375
	<hr/>	<hr/>

### Operating account

Capital expenditure	100 408	53 415
Contributions to:		
Doubtful debts provision	509	30 604
Audit fee provision	292 981	88 054
Capital development fund	245 500	188 500
Revaluation provision	500 000	250 000
Staff leave encashment provision	47 716	36 777
Disaster relief fund	50 000	50,000
Workmen's compensation assurance provision	18 151	12,566
	<hr/>	<hr/>
	1 255 265	709 916
	<hr/>	<hr/>

## 13 Adjustment for non-operating and other items

	2005 R	2004 R
Non-operating expenditure charged against provisions and reserves	( 12 121 956)	( 9 223 135)
Appropriations charged against operating income		
Capital development fund	245 500	188 500
Provisions and reserves	859 358	418 001
Fixed assets	100 408	53 415
	<hr/>	<hr/>
	1 205 266	659 916
Capital charges against operating income:		
Interest paid:		
- on internal advances	9 952	11 570
- on external loans	3 155	18 648
Redemption:		
- of internal advances	24 334	27 384
	<hr/>	<hr/>
	37 441	57 602

Interest on investments credited to operating account	( 726 349)	( 702 848)
State subsidies credited to operating account	( 6 430 000)	( 4 650 000)
	<u>( 18 035 598)</u>	<u>( 13 858 465)</u>
<b>14 (Decrease) Increase in working capital</b>		
	2005 R	2004 R
Increase in current debtors	( 1 959 367)	( 889 854)
Decrease in creditors (2004 : Increase)	( 911 453)	1 342 735
	<u>( 2 870 820)</u>	<u>452 881</u>
<b>15 Cash and cash equivalents</b>		
	2005 R	2004 R
Investments	14 240 599	12 493 428
Bank balances and cash	51 921	1 128 680
	<u>14 292 520</u>	<u>13 622 108</u>
<b>16 Capital commitments</b>		
	2005 R	2004 R
Commitments in respect of capital expenditure:		
Approved and contracted	22 333 837	22 333 837
Approved but not yet contracted	12 527 944	12 527 944
	<u>34 861 781</u>	<u>34 861 781</u>
This expenditure will be financed from:		
Internal sources	-	-
External sources	34 861 781	34 861 781
	<u>34 861 781</u>	<u>34 861 781</u>
<b>17 Contingent liabilities and contractual obligations</b>		
	2005 R	2004 R
There are no contingent liabilities or contractual obligations	-	-
<b>18 Capital development fund</b>		

	2005 R	2004 R
Accumulated funds	1 211 570	907 773
Less: Internal advances	73 855	89 997
Cash resources	1 137 715	817 776

See Appendices A and B for more detail.

**19 Public improvement fund**

	2005 R	2004 R
Accumulated funds	947 402	863 095
Less : Internal advances	60 331	68 523
Land	404 062	391 029
	464 393	459 552
Cash resources	483 009	403 543

See Appendices A and B for more detail.

**INGWE MUNICIPALITY**
**ANNUAL FINANCIAL STATEMENTS - 30 June 2005**
**APPENDIX A: STATUTORY FUNDS, RESERVES AND PROVISIONS**

	Balance at beginning of the year R	Contributions during the year R	Interest on investments R	Other income R	Expenditure during the year R	Balance at end of the year R
<b>Statutory funds</b>						
Capital development fund	907 773	245 500	56 845	29 874	28 422	1 211 570
Public improvement fund	863 095	-	34 513	67,051	17 257	947 402
	<b>1 770 868</b>	<b>245 500</b>	<b>91 358</b>	<b>96 925</b>	<b>45 679</b>	<b>2 158 972</b>
<b>Reserves</b>						
Equitable share grant	5 418 823	-	-	12 668 340	13 401 848	4 685 315
Land development grant	1 010	-	-	-	-	1 010
Establishment grant	110 440	-	-	-	-	110 440
Local economic development grant	2 720	-	-	-	-	2 720
Amakhuze biodiversity grant	1,083,076	-	-	154 000	632 943	604 133
Free basic water grant	677 785	-	-	-	-	677 785
Financial management grant	-	-	-	250,000	-	250 000
State housing subsidy - Bulwer project	-	-	-	2,679,573	2,164,444	515 129
State housing subsidy - Creighton project	7 705	-	-	-	-	7 705
State housing subsidy - Donnybrook project	38,733	-	-	2 872 926	2 891 128	20 531
State housing project - Ngcobo's Farm project	-	-	-	2 636 800	1 192 406	1 444 394
State housing subsidy - Tar's Valley project	1,367,052	-	-	-	1,031,907	335 145
CMIP grant - Bulwer housing project	27 020	-	-	638 400	569 441	95 979
CMIP grant - Donnybrook water system	180 736	-	-	152 455	138 250	194 941
CMIP grant - Ngcobo's farm infrastructure	56,998	-	-	196,857	84 488	169 367
CMIP grant - Nkwezela landfill site	189 938	-	-	-	-	189 938
CMIP grant - Tar's Valley infrastructure	54,007	-	-	232 500	162 199	124 308
Indigent support grant	660 399	-	16 726	-	6,632	670 493
Property rating grant	170,000	-	-	-	-	170 000
Management assistance programme grant	226 869	-	19 028	-	-	245 897
IDP grant	135,092	-	-	50,000	64,423	120 669
Zashuke/Bhidla community gardens grant	10,455	-	-	-	3,070	7 385
PIMS skills development grant	250,000	-	-	-	16,560	233 440
Bulwer craft centre grant	187,500	-	-	1,080,508	462,888	805 120
Land use management system grant	-	-	-	180,000	119,197	60 803
GAMAP grant	-	-	-	45,000	-	45 000
GIS grant	200,000	-	-	150,000	22,424	327 576
Land audit grant	-	-	-	63,125	63,125	-
Web page grant	-	-	-	60,000	-	60 000
Anti-corruption grant	-	-	-	134,500	-	134 500
Public awareness campaign grant	50,000	-	-	-	50 000	-
Printer grant	7,200	-	-	-	7 134	66
DBSA tourism grant	-	-	-	43 571	38 917	4 654
KZN Tourism grant	-	-	-	14 000	7 618	6 382
Disaster relief fund	80,000	-	-	50,000	1,000	129 000
Vuna awards	-	-	-	1,250,000	468,426	781 574
	<b>11 193 558</b>	<b>-</b>	<b>35 754</b>	<b>25 602 555</b>	<b>23 600 468</b>	<b>13 231 399</b>

**Provisions**

Audit fee	68 500	292 981	-	-	110 106	251 375
Leave encashments	99 480	47 717	-	-	-	147 197
Property revaluation	500 000	500 000	-	-	-	1 000 000
Workmen's compensation assurance	6 769	18 151	-	-	16 083	8 837
	674 749	858 849	-	-	126 189	1 407 409

**INGWE MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS - 30 June 2005**

**APPENDIX B: INTERNAL ADVANCES**

	Balance at beginning of the year R	Received during the year R	Repaid during the year R	Balance at end of the year R
<b>Public improvement fund</b>				
Advances to rates and general service	68 523	-	8 191	60 332
<b>Capital development fund</b>				
Advances to rates and general service	89 997	-	16 142	73 855
	158 520	0	24 333	134 187

**INGWE MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS - 30 June 2005**

**APPENDIX C: ANALYSIS OF FIXED ASSETS**

2004 Acquisitions R		2005 Budgeted acquisitions R	Balance at beginning of the year R	Acquisitions during the year R	Disposals during the year R	Balance at end of the year R
<b>Rates and general service</b>						
2 471 537	Real estate	1 125 000	8 347 347	1 342 664	-	9 690 011
1,597,489	Roads, pavements, drains and fences	1 550 000	2 340 512	3 271 072	-	5 611 584
41 635	Plant, machinery and equipment	40 000	100 338	36 246	-	136 584
514 390	Vehicles, tractors and trailers	430,000	1 494 828	453 560	42,665	1 905 723
276 437	Computer equipment	40 000	443 174	46 983	26,062	464 095
92 919	Office furniture and equipment	20 000	796 971	16 867	-	813 838
<u>4 994 407</u>		<u>3 205 000</u>	<u>13 523 170</u>	<u>5 167 392</u>	<u>68 727</u>	<u>18 621 835</u>
<b>Public improvement fund</b>						
-	Land	-	317 000	-	348	316 652
-	Land development costs	-	74 029	17 997	4 616	87 410
<u>-</u>		<u>-</u>	<u>391 029</u>	<u>17,997</u>	<u>4,964</u>	<u>404 062</u>
<u>4 994 407</u>	<b>Total fixed assets</b>	<u>3 205 000</u>	0 13 914 199	5 185 389	73 691	19 025 897
<b>Loans redeemed and other capital receipts</b>						
	Loans redeemed		177 293	24 333	-	201 626
	Contributions from current income		381 169	100 408	-	481 577
	Grants and subsidies received		12 602 234	5 066 983	69 074	17 600 143
	Developers' contributions		4 200	-	-	4 200
	Asset revaluation surplus		203 865	-	-	203 865
			<u>13 368 761</u>	<u>5 191 724</u>	<u>69 074</u>	<u>18 491 411</u>
	<b>Net fixed assets</b>		<u>545 438</u>	<u>( 6 335)</u>	<u>4 617</u>	<u>534 486</u>

**Note:**

In addition to the above capital budget of R3 205 000, the municipality had also budgeted for the following housing projects, the financial benefit of which will pass to the housing beneficiaries and will therefore not be capitalised:

	R
Bulwer housing project	3 680 000
Donnybrook housing project	7 697 085
Tarr's Valley housing project	5 988 260
<u>Total housing budget</u>	<u>17 365 345</u>
Capital expenditure for the municipality	3 205 000
<u>Total approved by National Treasury</u>	<u>20 570 345</u>



## INGWE MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS - 30 June 2005

#### APPENDIX D: ANALYSIS OF OPERATING INCOME AND EXPENDITURE for the year ended 30 June 2005

2004 Actual R		2005 Actual R	2005 Budget R
	<b>Operating income</b>		
4 650 000	Government grants and subsidies	6 430 000	7 300 000
1 633 803	Income from rates, service charges etc	2 054 790	1 624 800
<u>6 283 803</u>		<u>8 484 790</u>	<u>8 924 800</u>
	<b>Operating expenditure</b>		
3 216 815	Salaries and allowances	4 550 545	5 480 437
2 120 850	General expenses	2 762 271	2 338 600
288 264	Repairs and maintenance	407 509	658 000
69 171	Capital charges	47 391	44 237
53 415	Contributions to fixed assets	100 408	100 000
188 500	Contributions to CDF	245 500	245 000
<u>5 937 015</u>		<u>8 113 624</u>	<u>8 866 274</u>

INGWE MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS - 30 June 2005

APPENDIX E: OPERATING ACCOUNT: DETAILED INCOME STATEMENT  
for the year ended 30 June 2005

2004 Actual income R	2004 Actual expenditure R	2004 Surplus (deficit) R		2005 Actual income R	2005 Actual expenditure R	2005 Surplus (deficit) R	2005 Budgeted surplus (deficit) R
696 385	294 583	401 802	Rates collections	754 984	544 586	210 398	288 100
5 392 109	5 125 117	266 992	Administration	7 516 230	6 991 915	524 315	179 784
1 345	40 926	( 39 581)	Library	1 509	43 336	( 41 827)	( 46 368)
	111 716	( 111 716)	Roads	-	159 352	( 159 352)	( 177 985)
174 358	294 390	( 120 032)	Refuse	185 892	315 092	( 129 200)	( 118 514)
-	14 682	( 14 682)	Toilets	-	12 015	( 12 015)	( 19 000)
19 606	55 601	( 35 995)	Town estates and cemetery	26 175	47 328	( 21 153)	( 47 491)
6 283 803	5 937 015	346 788	<b>Totals for the year</b>	8 484 790	8 113 624	371 166	58 526
		-	Appropriations for the year			-	
	346 788		Net surplus for the year			371 166	
			Retained income				
		313 812	At beginning of year			319 375	
		341,225	Less: Transferred to district municipality			-	
		( 27 413)				319 375	
		319 375	Retained income at end of the year			690 541	

## INGWE MUNICIPALITY

### ANNUAL FINANCIAL STATEMENTS - 30 June 2005

#### APPENDIX F: STATISTICAL INFORMATION

	2005	2004
Approximate population	180 000	180 000
Valuations: Rateable properties	R 4 624 500	4 543 300
Non-rateable properties	R 532 100	619 100
Number of properties	253	253
Assessment rates - cents in the Rand:		
Land	13,92	12,95
Buildings	N/A	N/A
Number of permanent employees	29	24